

## **NEIGHBORHOOD ASSISTANCE PROGRAM (NAP)**

### **PROJECT FACT SHEET**

**July 1, 2015 – June 30, 2016**

#### **INTRODUCTION**

The Neighborhood Assistance Program (NAP) was created by the 1981 General Assembly to encourage private sector involvement in the alleviation of poverty in Virginia. The ACT (Neighborhood Assistance Act Tax Credit, Sections 58.1-439.18 through 58.1-439.24 of the Code of Virginia) supports locally designed and locally implemented private sector solutions to social needs generally resolved only with public sector intervention.

Eligible non-profit organizations are awarded allocations of tax credits on a basis of proven operational success and their capacity to serve low-income persons. Each organization is approved for a 12-month period (July 1 - June 30) and must reapply each year to participate. Annual NAP applications must be received by the Virginia Department of Social Services on or before the first business day of May each year, as found in 22VAC40-41-20.D of the Regulations. NAP non-profit organization

#### **NAP CERTIFICATE OF APPROVAL**

The NAP Certificate of Approval authorizes the approved non-profit organization to participate in the program. This certificate may be used as confirmation for prospective donors.

The non-profit organization must work with donors to assure a timely and accurate completion and submission of the Contribution Notification Forms (CNFs) including supporting documentation for all donations; secure all donor information; maintain and make the records pertaining to NAP transactions available to DSS for a period of five (5) years; and abide by all applicable NAP laws and DSS Regulations.

#### **DONATIONS ELIGIBLE FOR TAX CREDITS**

Refer to the Donor Fact for the specific rules and requirements for all types of donations.

All donations must be made directly to the approved NAP non-profit organization with no restrictions and without any expectation of monetary or other benefits. Discounted property (partial donations) or bargain sales are not allowable for NAP donations.

During an approved NAP program period, as indicated on the Certificate of Approval, an individual trust or business may be eligible for a state tax credit only to the extent that sufficient tax credits allocated to the approved NAP organization are available.

The organization must deduct the administrative fees if the donation was made by using the non-profits credit processing company such as PayPal/Blackbaud/Network for Good, etc. The tax credit is issued for the amount the non-profit organization receives. The minimum \$616 for a business/trust or \$500 for an individual must be met after deducting the administrative fees to qualify for a tax credit.

The Code of Virginia establishes a tax credit of 65 percent of the value of the qualified donation. A donor may, by written agreement, accept a tax credit for less than 65 percent from a neighborhood organization. The written agreement must be submitted to the Department of Social Services along with the original Contribution Notification form (CNF) and documentation supporting the donation.

## **TYPES OF ELIGIBLE DONORS**

**Individual Donors:** The minimum donation by an individual must be at least \$500. The maximum donation from individual is \$125,000, for a maximum tax credit that equals \$81,250.

- Donations of cash or marketable securities are eligible for NAP tax credits.
- For tax purposes, individuals use a calendar year. Therefore, the minimum \$500 donation value must be met between July 1 and December 31 or between January 1 and June 30 to qualify for a NAP tax credit.

**Trust Donors:** A trust or fiduciary for a trust subject to tax imposed by Article 6 (§ 58.1-360 et seq.) of Chapter 3 of the Code of Virginia may qualify for a tax credit.

- The minimum donation made by a Trust to an approved NAP non-profit organization must be at least \$616.
- Tax credits may be available to a trust making a donation of cash, stock, merchandise, real estate or rent/lease of the organization's facility directly to an approved NAP non-profit neighborhood organization.

**Business Donor/Services:** Tax credits may be available to:

- ✓ Any business entity authorized to do business in the Commonwealth of Virginia;
  - ✓ licensed health care professional donating services to an approved NAP non-profit organization with a health care clinic;
  - ✓ licensed pharmacist providing services to a 501(c) (3) clinic referred by an approved NAP non-profit organization;
  - ✓ mediator certified pursuant to guidelines promulgated by the Judicial Council of Virginia who provides services at the direction of an approved organization that provides court referred medication services regardless of where the services are delivered;
  - ✓ physician specialist providing services to patients who are referred from an approved organization whose sole purpose is providing specialty medical referral services to patients of participating clinics or federally qualified health centers regardless of where the services are delivered.
- Professional Services are limited to: accounting, actuarial services, architecture, land surveying, law, dentistry, medicine, optometry, pharmacy, professional engineering & veterinarian.
- Contracting Services is defined as a business firm licensed under Title 54.1 by the Commonwealth of Virginia as a contractor of labor or technical advice to aid in the development, construction, renovation, or repair of homes of low-income persons or buildings used by an approved non-profit organization.
- Health Care Services are limited to: physicians, pharmacists, dentists, chiropractors, physician assistants, nurse practitioners, optometrists, dental hygienists, nurses, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, or physical therapists
- The minimum donation made by a business to an approved NAP non-profit organization must be at least \$616.
  - The minimum \$616 donation value for health care services, mediation services, pharmaceutical services or physician specialist services must be met between July 1 and December 31 or between January 1 and June 30 to qualify for a NAP tax credit.

**Value of Business Donations:** The value for donations of checks, stock, merchandise (including motor vehicles and inventory items), and real estate **to be used by the approved NAP non-profit organization** is determined using IRS standards. The amount listed should normally be the same as used for federal tax purposes. (See IRS Publication 561 for additional information on determining value of donations).

**Exceptions to IRS standards:** The value of merchandise (excluding motor vehicles) donated to be **sold, auctioned, or raffled** by the approved NAP non-profit organization is the **lesser** of the actual book cost of the item **or the proceeds** received by the organization. (The value of a motor vehicle is determined using IRS standards).

**For Rent/Lease of Organization's Facility:** The value assigned for donated rent or lease of property cannot exceed the prevailing square footage rental charge for comparable property and must be agreed to by the donor and the NAP non-profit organization prior to the lease being signed. The NAP non-profit organization is responsible for obtaining documentation verifying reasonable costs for comparable property. A copy of the Rent/Lease agreement between the property owner and the approved non-profit organization, listing the donation dates and monthly rental rate by square footage based on comparable rate of similar space is required to be submitted.

**The application for the Tax Credit Certificate for the donor is initiated through your organization by:**

- **Providing a Donor Packet consisting of:**

- Donor Fact Sheet for an Individual, Trust or a Business
- A Contribution Notification Form (CNF) indicating the appropriate approval period.

**Please note there are six (6) different CNFs:**

- \* **CNF-A** accommodates business donations of cash, stock, merchandise, real estate, or rent/lease of the organization's facility;
  - \* **CNF-B** is to be used for physicians, pharmacists, dentists, chiropractors, physician assistants, nurse practitioners, optometrists, dental hygienists, nurses, professional counselors, clinical social workers, clinical psychologists, marriage and family therapists, or physical therapists who provide services, free of charge, to a clinic or to a patient referred by an organization with an on-site health care clinic;
  - \* **CNF-C** is to be used for donations of professional services;
  - \* **CNF-D** is to be used for donations of contracting services;
  - \* **CNF-E** is to be used for donations of cash or marketable securities from an individual or donations of cash, stock, merchandise, real estate or rent/lease of the organization's facility from a trust;
  - \* **CNF-H** is to be used for pharmacists who provide services, free of charge, to a 501(c) (3) non-profit clinic at the direction of an approved organization; mediator who provides services at the direction of an approved organization that provides court referred medication services regardless of where the services are delivered; or physician specialist providing services to patients who are referred from an approved organization whose sole purpose is providing specialty medical referral services to patients of participating clinics or federally qualified health centers regardless of where the services are delivered.
- If appropriate, copies of the Certification of Donation Value form, Certification of Proceeds Received form, Services Contribution Data Sheets for Medical Professional & Mediation Services, Pharmacy Services, Physician Specialist Services or Professional and Contracting Services.

- **Completing the CNF once it is returned from the donor:**
  - Review the form to ensure **the donor has completed all parts**. Confirm that the actual donation dates are within the program approval dates and that all information is accurate and readable.
  - Confirm that all appropriate documentation has been included. **Attach a copy of all supporting documentation to the CNF.** The Contribution Notification Form (CNF) Reference Sheet lists the required documentation for each type of donation.
  - Complete, sign, and date the bottom portion of the CNF. Retain a copy of the CNF and all supporting documentation in your files.
  - Incomplete and/or illegible CNFs will be returned.
- **Mail the original CNF with supporting documentation** to the following address:
  - Neighborhood Assistance Program
  - Office on Volunteerism and Community Service
  - Virginia Department of Social Services
  - 801 East Main Street, 15<sup>th</sup> Floor
  - Richmond, VA 23219

**PLEASE DO NOT MAIL THE CNF IF YOUR ORGANIZATION DOES NOT HAVE SUFFICIENT TAX CREDITS TO COVER THE VALUE OF THE DONATION.**

**Faxed copies of CNF forms will not be processed! We must have the CNF form with at least one original signature** from the NAP non-profit organization. It generally takes six to eight weeks for the Office on Volunteerism and Community Service to issue the Tax Credit Certificate, which will be sent directly to the donor.

**APPLICATION FOR TAX CREDITS**

- In order for the donor to claim a NAP tax credit on their Virginia tax return, the donor must complete Schedule CR and provide a copy of the tax credit certificate to the Department of Taxation, if requested. If the donation was made by a Trust or a pass-through business entity (Partnership, Sub S Corp, LLC, etc.), the trust or business donor must complete Form PTE upon receipt of the Tax Credit Certificate and mail the completed form directly to the Virginia Department of Taxation. A Form PTE will be sent to the donor along with their NAP Tax Credit Certificate and can also be found at [www.tax.virginia.gov](http://www.tax.virginia.gov).

**ADDITIONAL INFORMATION**

- **A record of tax certificates issued against each NAP non-profit organization's tax credit balance will be provided in Quarterly Reports (QRs)**, which are mailed the month after each quarter. The QR includes a list of all donors that have received Tax Credit Certificates, the amount of each tax credit, the percent of tax credit offered, the date of receipt by VDSS, the Tax Credit Certificate number, and the organization's tax credit balance as of the end of that reporting period.
- **Questions about Tax Credit Certificates or NAP Information should be directed to the Office on Volunteerism and Community Service (OVCS) by the non-profit organization only.** Please advise your donors that questions about the issuance of Tax Credit Certificates must be directed to the non-profit organization staff, **not to OVCS**. This will ensure a speedy and accurate answer to any questions and will protect your relationship with the donors. If you have questions, including those from donors, please call us at (804) 726-7924 or (804) 726-7920.

- **In the event there is an error on the Tax Credit Certificate or if a Certificate is lost,** please advise your donors that they must submit a written request to the Virginia Department of Social Services, Office on Volunteerism and Community Service (OVCS) to request a reissue of the tax certificate. The request must include:
  - 1) Name and address of donor;
  - 2) Date(s) of donation and NAP non-profit organization receiving the donation;
  - 3) Value of the donation;
  - 4) Explanation of any necessary correction; and
  - 5) If an error is discovered, the original Tax Credit Certificate should be returned. Reissues may take up to two weeks to process.
- **Tax Credit Releases** are encouraged in the event your organization will not utilize all of the tax credits allotted for the program period. This will enable OVCS to redirect the unused tax credits to other NAP non-profit organizations and ensure effective utilization of the limited amount available in the full program. If your organization has unused tax credits to release, send a memo indicating the amount to be released, the organization name, program year, and NAP project ID number. The authorized signature listed on the NAP application must be on the release memo or listed in the email address if sent electronically.
- **Tax Credit Increases** will be awarded based on availability of unassigned credits. In order to be considered for an increased allocation, your organization must have utilized at least 75% of your current allocation. To request an increase, an email or written request (memo) must be sent to OVCS and include:
  - 1) The amount of additional credits requested up to a maximum of **\$10,000** per request;  
Only one request may be on file at any given time
  - 2) The reason for increase;
  - 3) NAP project ID number;
  - 4) The fiscal year for which the increase is sought.

The authorized signature listed on the NAP application must be on the increase request or listed in the email address if sent electronically. **Please be advised if tax credits are not available, the request will be placed on a waiting list and increased upon availability.**

**Organizations may not exceed the tax credit limit listed on the certificate of approval without a letter of increase from the Virginia Department of Social Services, Office on Volunteerism and Community Service.** Accepting donations for tax credits beyond those available to your organization exceeds your legal authority and will result in a return of the CNF.